UnitedBank
Member FDIC

505 South Hill Street, Post Office Box 628
Griffin, Georgia 30224-0628
770/412-7211 Fax 770/412-4977

March 18, 2003

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 200551

RE: Proposed Revisions to the Community Reinvestment Act Regulations Docket No. R 1181

Dear his. Johnson:

I am writing to support the federal bank regulatory agencies' (Agencies) proposal to enlarge the number of banks and saving associations that will be examined under the small institution Community Reinvestment Act (CRA) examination. The Agencies propose to increase the asset threshold fi-om $250 million to $500 million and to eliminate any consideration of whether tlic small institution is owned by a holding company. While this proposal would not provide regulatory relief for United Bank, the proposal is clearly a major step towards an appropriate implementation of the Community Reinvestment Act and should greatly reduce regulatory burden on those institutions newly made eligible for the small institution examination, and I strongly support both of them.

1he most significant improvement in the new CRA regulations when they were rewritten in 1995 was the addition of that small institution CRA examination, which actually did what the Act required. had examiners, during their examination of the bank, look at the bank's loans and assess whether the bank was helping to meet the credit needs of the bank's entire community. It imposed no investment requirement on small banks, since tlic Act is about credit not investment. It added no data reporting requirements on small banks, fulfilling tlic promise of the Act's sponsor, Senator Proxmire, that there would be no additional paperwork or recordkeeping burden on banks if the Act passed. And it created a simple, understandable assessment test of the bank's record of providing credit in its community the test considers the institution's loan-to-deposit ratio; the percentage of loans in its assessment areas; its record of lending to borrowers of different income levels and businesses and farms of different sizes; the geographic distribution of its loans; and its record of taking action, if warranted, in response to written complaints about its performance in helping to incct credit needs in its assessment areas

Since then, the regulatory burden on all banks and especially small to medium sized banks has only grown larger, including massive new reporting requirements under HMDA, the USA PATRIOT Act and the privacy provisions of the Gramm-Leach-Bliley Act. But the nature of community banks has not changed. When a community bank must comply with

the requirements of the large institution CRA examination, tlie costs to aiid burdens on that community bank increase dramatically. In looking at iny bank, converting to the large institution examination required, among other things, that we devoted additional staff time and energy to documenting services aiid investments. We found that this imposed a dramatically higher regulatory burden which diverted both monetary and personnel resources away from the primary focus and spirit of CR \ which 14 helping to meet the credit needs of the institution's community.

1 believe that it is as true today as it was in 1995, aiid in 1'977 when Congress enacted CRA, that a community bank meets the credit needs of its community if it makes a certain amount of loans relative to deposits taken. A community bank is typically non-complex; it takes deposits and makes loans. Its business activities arc usually focused on small, defined geographic areas where the bank is known in the community Ilie small institution examination accurately captures the information necessary for examiners to assess whether a community bank is helping to meet the credit needs of its community, and nothing more is required to satisfy the Act.

As the Agencies state in their proposal, raising the small institution CRA examination threshold to $500 makes numerically more community banks eligible However, in reality raising the asset threshold to $500 million and eliminating the holding company limitation would retain tlie percentage of industry assets subject to the large retail institution test It would decline only slightly, from a little more than 90% to a little less than 90% That decline, though slight, would more closely align tlie current distribution of assets between small and large banks with the distribution that was anticipated when the Agencies adopted the definition of "small institution." Thus, the Agencies, in revising the CRA regulation, are really just preserving the *status quo* of the regulation, which has been altered by a drastic decline in the number of banks, inflation aiid an enormous increase in the size of large banks. I believe that tlie Agencies need to provide greater relief to community banks than just preserve the *status quo* of this regulation.

While the small institution test was tlic most significant improvement of tlic revised CRA, it was wrong to limit its application to only banks below $250 million in assets, depriving many community banks from any regulatory relief Currently, a bank with more than $250 million in assets faces significantly more requirements that substantially increase regulatory burdens without consistently producing additional benefits as contemplated by the Community Reinvestment Act In today's banking market, even a $500 million bank often has only a handful of branches I recommend raising the asset threshold for the small institution examination to at least $1 billion. Raising the limit to $1 billion is appropriate for two reasons. First, keeping tlic focus of sinall institution:, on lending, which tlic small institution examination does, would be entirely consistent with the purpose of the Community Reinvestment \ct, which is to ensure that the Agencies evaluate how banks help to meet the credit needs of the communities they serve.

Second, raising the limit to $1 billion will have only a small effect on the amount of total industry assetx covered under the more comprehensive large bank test. According to the Agencies' own findings, raising the limit from $250 to $500 million would reduce total industry assets covered by the large bank test by less than one percent. \ccording to December 31, 2003, Call Report data, raising the limit to $1 billion will reduce the amount of

assets subject to the inuch more burdensome large iiistitution test by only 4% (to about 85%). Yet, tlie additional relief provided would, again, be substantial, reducing tlie compliance burden on more than 500 additional banks and savings associations (compared to a $500 million limit). Accordingly, I urge tlie Agencies to raise the limit to at least $1 billion, providing significant regulatory relief while, to quote the Agencies in the proposal, not diminishing "in any way the obligation of all insured depository institutions subject to CRA to help meet the credit needs of their communities Instead, the changes are meant only to address the regulatory burden associated with evaluating institutions under CRA."

In conclusion, I strongly support increasing the asset-size of banks eligible for the small bank streamlined CRA examination process as a vitally important step in revising and improving the CRA regulations and in reducing regulatory burden. I also support eliminating the separate holding company qualification for the small institution examination, since it places small community banks tliat are part of a larger holding company :n a disadvantage to their peers and has no legal basis in the Act. While community banks, of course, still will be examined under CRA for their record of helping to meet the credit needs of tlieir communities, this change will eliminate some of tlie most problematic and burdensome elements of the current CRA regulation from community banks tliat are drowning in regulatory red-tape

Sincerely,

James J. Edwards, Jr.
Chief Executive Officer